



Department of Justice

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(202) 514-2007
TDD (202) 514-1888

JUSTICE DEPARTMENT CHARGES CALIFORNIA COMPANY IN PROBE OF FEDERAL E-RATE PROGRAM IN CALIFORNIA AND MICHIGAN

Company Agrees to Pay \$1.7 Million in Fines and Restitution for Bid Rigging and Mail Fraud

WASHINGTON, D.C. -- Premio Inc., a California-based company, has agreed to plead guilty and to pay \$1.7 million in criminal fines and restitution relating to charges of collusion and fraud in the Federal Communication Commission's (FCC) E-Rate program involving schools in California and Michigan, the Department of Justice's Antitrust Division and the U.S. Attorney's Office for the Northern District of California announced today.

A two-count criminal charge was filed today in U.S. District Court in San Francisco, against Premio Inc. (formerly known as Premio Computer Inc.), which manufactures and sells computers, servers, software, and other computer equipment, for allocating contracts and submitting rigged bids for an E-Rate project at a school district in Fresno, California. Premio is also charged with committing mail fraud by willfully entering into a scheme to defraud the E-Rate program by substituting ineligible equipment for approved equipment, submitting false and fraudulent documents to hide the fact that it installed ineligible equipment, and submitting false invoices to the E-Rate program to receive payment for the ineligible equipment that it installed at an E-Rate project at a school district in Highland Park, Michigan.

"This fraudulent conduct caused the E-Rate program to pay for unnecessary and inappropriate items and as a result prevented the program from funding projects at needy schools

that should have received funding,” said Thomas O. Barnett, Acting Assistant Attorney General in charge of the Antitrust Division.

The E-Rate program provides funding for Internet access and other telecommunications services to schools and libraries in financial need. Under the E-Rate program, schools apply for monies to provide cabling, Internet backbone equipment (*i.e.*, servers, PBX, and switches), and to pay for monthly connectivity service fees.

Under the plea agreement, Premio will pay \$400,000 in criminal fines and \$1.3 million in restitution as part of the civil settlement. The plea agreement is subject to court approval.

Thus far, 10 individuals and eight companies have been charged as part of the Antitrust Division’s ongoing investigation into fraud and anticompetitive conduct in the E-rate program. Two companies and three individuals have pleaded guilty and agreed to pay criminal fines and restitution totaling \$30.69 million. Two of the individuals have each been sentenced to serve six years in prison.

The Sherman Act charge carries a maximum penalty of a \$10 million fine for violations occurring before June 22, 2004. The maximum fines may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. The mail fraud charge carries a maximum penalty of a \$500,000 fine and restitution to the victims of the crime.

The investigation is being conducted jointly by the U.S. Department of Justice’s Antitrust Division and the U.S. Attorney’s Office for the Northern District of California, with the assistance of the San Francisco, Los Angeles, Fresno, and Detroit offices of the Federal Bureau of Investigation.

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Anyone with information concerning fraud or anticompetitive conduct in the E-Rate program should contact the Cleveland Field Office of the Antitrust Division at (216) 522-4070 or the San Francisco office of the FBI at (415) 553-7674.

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